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COOPERATION DEPARTMENT

NOTIFICATION

The 16th March, 2024

[No.3681—COOP-CR1-CRB-0019/2021/Coop.]

Sub: Provision of funds for "Interest Subvention on Agricultural Term Loans provided by the Cooperative Banks and Commercial Banks/RRBs".

1. Background

Agricultural Term Loans are being provided by the Commercial Banks, RRBs and Cooperative Banks for acquisition, development and creation of assets like providing irrigation facilities, agriculture implements & other allied activities which are not covered under the interest subvention scheme and therefore, the same are provided at higher rates of interests. Farmers have been agitating over the higher rate of interest charged on Agriculture Term Loan and have been demanding reduction of rate of interest to bring it at par with the short-term crop loans. The State Government have been providing subsidy to the farmers on the cost of farm machineries/equipments and other activities for asset creation in agriculture. Agriculture term loans are intended for capital investment in agriculture and to build up adequate infrastructure for increase in efficiency and productivity.

Prior to 2013-14 farmers were paying interest at the rate of 10-14% to Banks on agriculture term loans depending on the quantum and period of loan. It was imperative to motivate the Commercial/ Co-operative Banks and RRBs to increase their share in dispensation of agriculture term loan. Therefore, it was decided by State Government to provide interest subvention to incentivize investment in agriculture.

With this end in view, the State Government is providing interest subvention on ATL provided by Co-operative Bank and Commercial Banks/ RRBs. The following are the important features of the Scheme:

The Agricultural Term Loans is a loan availed by farmers for creation of infrastructure facilities / purchase of Agricultural machinery and implements repayable in a period of more than one year and within period of 7 years.

The maximum amount of loan eligible for interest subvention is Rs.50.00 lakh. In case of long-term loans sanctioned beyond Rs.50.00 lakh, the farmer will pay interest at the Bank applicable rate for the loan over and above Rs.50.00 lakh.

The amount of 4% interest subvention provided by Government of Odisha will be calculated from the date of disbursement of loan up to the date of actual repayment of loan by the farmer or up to the due date of loan fixed by Bank whichever is earlier.

Additional 3% interest subvention will be made for prompt repayment of instalments in due time.

The interest subvention will be calculated on net loan in case any subsidy admissible under any other scheme of Government of India/ Government of Odisha.

2. Scheme Objectives

The aims and objectives of the interest subvention scheme for agriculture term loans are:

To provide affordable credit to farmers: The primary objective of the scheme is to provide long term credit to farmers at an affordable rate of interest. By offering an interest subvention, the State Government aims to reduce the cost of borrowing for farmers and make credit accessible to them for long term investment in agriculture.

To increase agricultural productivity: The scheme aims to increase the agricultural productivity of the State by providing timely and adequate credit to farmers. With adequate credit, farmers can invest in land development, farm mechanization and use of technology, which can enhance the efficiency and productivity and thus lead to higher crop yields and better-quality produce.

To encourage the adoption of modern technology: The scheme aims to encourage the adoption of modern technology in agricultural by providing credit to farmers for purchasing modern agricultural equipment, machinery and other related inputs.

To promote inclusive growth: The scheme aims to promote inclusive growth by providing credit to small and marginal farmers who otherwise may not have access to credit. This helps in reducing the income gap between different sections of farmers and promotes social inclusion.

To Stabilize farm incomes: The scheme aims to stabilize the incomes of farmers by providing credit at a lower rate of interest. This helps farmers to mitigate the risks associated with agriculture, such as weather-related risks, price volatility and other uncertainties.

To reduce the burden of debt on farmers: The scheme aims to reduce the burden of debt on farmers by providing an interest subvention, which reduces the cost of borrowing. This helps farmers to repay their loans on time and reduces the risk of defaults.

Overall, the aims and objectives of the interest subvention scheme for agriculture term loans are to promote growth and development of agriculture in the State and to improve the livelihoods of farmers.

3. Coverage under the scheme/ Programme and duration

All the Farmers especially the small and marginal ones are the targeted beneficiaries under the scheme. In addition to this the Self-Help Groups, Women Self Help Groups, Farmer Producer Organizations and PACS/LAMPCS themselves have also been targeted to be covered as beneficiaries under the scheme.

The scheme will be implemented for 5 years from 2023-24 to 2027-28 for provision of interest subsidy/ subvention to Commercial Banks/ RRBs for providing Agriculture Term Loan to farmers at targeted rate.

4. Implementation of the scheme

The Scheme will be implemented by the Commercial Banks/RRBs and the Co-operative Banks. The Banks will pass on the subvention benefits to the farmers in advance and claim for reimbursement of the same to Cooperation Department through Registrar of Co-operative Societies. For District Central Co-operative Banks/ PACS/ LAMPCS, the claims will be sent to OSCB by the DCCBs by collating their own claims and all claims of their affiliated PACS/LAMPCS. OSCB will then verify it and submit to RCS, who in turn will submit the final claim to the Department. For Commercial Banks and RRBs, SLBC will collect all proposals and submit to RCS, who in turn will submit it to the Department. 50% of the budgeted amount will be given to the Banks/ financing institutions in advance, on claim. The rest will be given after submission of actual claim on the basis of finances made and subvention benefits passed on to the beneficiaries.

5. Source of funding for the Scheme/ Project and fund flow mechanism

The Scheme will be funded by the State Budget provision.

The Financial Outlay of the Scheme is as follows:

Components	Financial Year	Total Cost (in Crores)
Interest Subvention on Agricultural Term Loans provided by the Co-operative Banks, Commercial Banks and RRBs	2023-24	20.00
	2024-25	25.00
	2025-26	30.00
	2026-27	35.00
	2027-28	40.00
	Total	150.00

The EFC meeting held under the Chairmanship of Principal Secretary, Finance on dated 5th January, 2024 has accorded clearance for implementation of the scheme **43058-Interest Subvention on Agricultural Term Loans provided by the Co-operative Banks and Commercial Banks/RRBs"** for 5 years starting from 2023-24 to 2027-28 with financial outlay of Rs.150.00 Crores.

6. Intended Scheme/ Programme Outcome

- Capital Investment in agriculture will create required agricultural assets.
- Creation of agricultural assets will give a boost to agricultural production and productivity.
- This will facilitate commercialization of agricultural giving more income to farmers from agricultural activities.
- Agricultural activities will be remunerative as the farmers will get their capital at a lower/ subsidized interest rate.
- Provide employment opportunity.
- This will encourage the agriculture entrepreneurs to invest more for agricultural assets creation.
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7. Monitoring and Evaluation mechanism

Cooperation Department and RCS (O) will monitor/ evaluate the Scheme, periodically.

There will be Third Party Evaluation of this scheme with assistance of PPOMU Cell of Finance Department. The third party will evaluate the success and

shortcomings of the scheme and advise the Administrative Department to take suitable action to overcome the shortcomings.

Cooperation Department shall undertake wide publicity of the scheme and to attract more number of small and marginal farmers to avail the benefits. Administrative Department shall take steps for promotion of IEC activities to sensitize the farmers for availing agricultural term loans.

Cooperation Department shall form a Sub-committee under the Commissioner-*cum*-Secretary with senior officers of different departments, Director Institutional Financial FD, Convenor SLBC & representative of various banks to examine the issue of providing agricultural term loans in case of Agriculture and allied sectors. It was also proposed to ask the Convenor, SLBC to place the matter before the SLBC, promote the involvement of Commercial Banks/ RRBs in advancing more agricultural term loans and avail the subvention benefits under the scheme.

The State Government may modify/ amend/ alter the guidelines/ norms of the scheme for its smooth implementation.

By order of Governor

RAJESH PRABHAKAR PATIL

Commissioner-*cum*-Secretary to Government